

State of Arizona
Senate
Forty-sixth Legislature
Second Regular Session
2004

CHAPTER 279

SENATE BILL 1410

AN ACT

AMENDING SECTION 36-2901.03, ARIZONA REVISED STATUTES; REPEALING SECTION 36-2901.06, ARIZONA REVISED STATUTES; AMENDING SECTION 36-2903.01, ARIZONA REVISED STATUTES; REPEALING SECTION 41-3004.13, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3006.27; AMENDING LAWS 2003, CHAPTER 265, SECTION 49; RELATING TO HEALTH AND WELFARE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-2901.03, Arizona Revised Statutes, is amended
3 to read:

4 36-2901.03. Federal poverty program; eligibility

5 A. The administration shall adopt rules for a streamlined eligibility
6 determination process for any person who applies to be an eligible person as
7 defined in section 36-2901, paragraph 6, subdivision (a), item (iv). The
8 administration shall adopt these rules in accordance with state and federal
9 requirements and the section 1115 waiver.

10 B. The administration must base eligibility on an adjusted gross
11 income that does not exceed one hundred per cent of the federal poverty
12 guidelines.

13 C. For persons who the administration determines are eligible pursuant
14 to this section, the date of eligibility is the first day of the month of
15 application.

16 D. The administration shall determine an eligible person's continued
17 eligibility ~~every six months~~ ON AN ANNUAL BASIS.

18 Sec. 2. Repeal

19 Section 36-2901.06, Arizona Revised Statutes, is repealed.

20 Sec. 3. Section 36-2903.01, Arizona Revised Statutes, is amended to
21 read:

22 36-2903.01. Additional powers and duties

23 A. The director of the Arizona health care cost containment system
24 administration may adopt rules that provide that the system may withhold or
25 forfeit payments to be made to a noncontracting provider by the system if the
26 noncontracting provider fails to comply with this article, the provider
27 agreement or rules that are adopted pursuant to this article and that relate
28 to the specific services rendered for which a claim for payment is made.

29 B. The director shall:

30 1. Prescribe uniform forms to be used by all contractors. The rules
31 shall require a written and signed application by the applicant or an
32 applicant's authorized representative, or, if the person is incompetent or
33 incapacitated, a family member or a person acting responsibly for the
34 applicant may obtain a signature or a reasonable facsimile and file the
35 application as prescribed by the administration.

36 2. Enter into an interagency agreement with the department to
37 establish a streamlined eligibility process to determine the eligibility of
38 all persons defined pursuant to section 36-2901, paragraph 6, subdivision
39 (a). At the administration's option, the interagency agreement may allow the
40 administration to determine the eligibility of certain persons including
41 those defined pursuant to section 36-2901, paragraph 6, subdivision (a).

42 3. Enter into an intergovernmental agreement with the department to:

43 (a) Establish an expedited eligibility and enrollment process for all
44 persons who are hospitalized at the time of application.

45 (b) Establish performance measures and incentives for the department.

1 (c) Establish the process for management evaluation reviews that the
2 administration shall perform to evaluate the eligibility determination
3 functions performed by the department.

4 (d) Establish eligibility quality control reviews by the
5 administration.

6 (e) Require the department to adopt rules, consistent with the rules
7 adopted by the administration for a hearing process, that applicants or
8 members may use for appeals of eligibility determinations or
9 redeterminations.

10 (f) Establish the department's responsibility to place sufficient
11 eligibility workers at federally qualified health centers to screen for
12 eligibility and at hospital sites and level one trauma centers to ensure that
13 persons seeking hospital services are screened on a timely basis for
14 eligibility for the system, including a process to ensure that applications
15 for the system can be accepted on a twenty-four hour basis, seven days a
16 week.

17 (g) Withhold payments based on the allowable sanctions for errors in
18 eligibility determinations or redeterminations or failure to meet performance
19 measures required by the intergovernmental agreement.

20 (h) Recoup from the department all federal fiscal sanctions that
21 result from the department's inaccurate eligibility determinations. The
22 director may offset all or part of a sanction if the department submits a
23 corrective action plan and a strategy to remedy the error.

24 4. By rule establish a procedure and time frames for the intake of
25 grievances and requests for hearings, for the continuation of benefits and
26 services during the appeal process and for a grievance process at the
27 contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and
28 41-1092.05, the administration shall develop rules to establish the procedure
29 and time frame for the informal resolution of grievances and appeals. A
30 grievance that is not related to a claim for payment of system covered
31 services shall be filed in writing with and received by the administration
32 or the prepaid capitated provider or program contractor not later than sixty
33 days after the date of the adverse action, decision or policy implementation
34 being grieved. A grievance that is related to a claim for payment of system
35 covered services must be filed in writing and received by the administration
36 or the prepaid capitated provider or program contractor within twelve months
37 after the date of service, within twelve months after the date that
38 eligibility is posted or within sixty days after the date of the denial of
39 a timely claim submission, whichever is later. A grievance for the denial
40 of a claim for reimbursement of services may contest the validity of any
41 adverse action, decision, policy implementation or rule that related to or
42 resulted in the full or partial denial of the claim. A policy implementation
43 may be subject to a grievance procedure, but it may not be appealed for a
44 hearing. The administration is not required to participate in a mandatory
45 settlement conference if it is not a real party in interest. In any

1 proceeding before the administration, including a grievance or hearing,
2 persons may represent themselves or be represented by a duly authorized agent
3 who is not charging a fee. A legal entity may be represented by an officer,
4 partner or employee who is specifically authorized by the legal entity to
5 represent it in the particular proceeding.

6 5. Apply for and accept federal funds available under title XIX of the
7 social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section
8 1396 (1980)) in support of the system. The application made by the director
9 pursuant to this paragraph shall be designed to qualify for federal funding
10 primarily on a prepaid capitated basis. Such funds may be used only for the
11 support of persons defined as eligible pursuant to title XIX of the social
12 security act or the approved section 1115 waiver.

13 6. At least thirty days before the implementation of a policy or a
14 change to an existing policy relating to reimbursement, provide notice to
15 interested parties. Parties interested in receiving notification of policy
16 changes shall submit a written request for notification to the
17 administration.

18 C. The director is authorized to apply for any federal funds available
19 for the support of programs to investigate and prosecute violations arising
20 from the administration and operation of the system. Available state funds
21 appropriated for the administration and operation of the system may be used
22 as matching funds to secure federal funds pursuant to this subsection.

23 D. The director may adopt rules or procedures to do the following:

24 1. Authorize advance payments based on estimated liability to a
25 contractor or a noncontracting provider after the contractor or
26 noncontracting provider has submitted a claim for services and before the
27 claim is ultimately resolved. The rules shall specify that any advance
28 payment shall be conditioned on the execution before payment of a contract
29 with the contractor or noncontracting provider that requires the
30 administration to retain a specified percentage, which shall be at least
31 twenty per cent, of the claimed amount as security and that requires
32 repayment to the administration if the administration makes any overpayment.

33 2. Defer liability, in whole or in part, of contractors for care
34 provided to members who are hospitalized on the date of enrollment or under
35 other circumstances. Payment shall be on a capped fee-for-service basis for
36 services other than hospital services and at the rate established pursuant
37 to subsection G or H of this section for hospital services or at the rate
38 paid by the health plan, whichever is less.

39 3. Deputize, in writing, any qualified officer or employee in the
40 administration to perform any act that the director by law is empowered to
41 do or charged with the responsibility of doing, including the authority to
42 issue final administrative decisions pursuant to section 41-1092.08.

43 4. Notwithstanding any other law, require persons eligible pursuant
44 to section 36-2901, paragraph 6, subdivision (a), section 36-2931, paragraph
45 5 and section 36-2981, paragraph 6, and before July 1, 2004, pursuant to

1 section 36-2981.01 to be financially responsible for any cost sharing
2 requirements established in a state plan or a section 1115 waiver and
3 approved by the centers for medicare and medicaid services. Cost sharing
4 requirements may include copayments, coinsurance, deductibles, enrollment
5 fees and monthly premiums for enrolled members, including households with
6 children enrolled in the Arizona long-term care system.

7 E. The director shall adopt rules which further specify the medical
8 care and hospital services which are covered by the system pursuant to
9 section 36-2907.

10 F. In addition to the rules otherwise specified in this article, the
11 director may adopt necessary rules pursuant to title 41, chapter 6 to carry
12 out this article. Rules adopted by the director pursuant to this subsection
13 shall consider the differences between rural and urban conditions on the
14 delivery of hospitalization and medical care.

15 G. For inpatient hospital admissions and all outpatient hospital
16 services before March 1, 1993, the administration shall reimburse a
17 hospital's adjusted billed charges according to the following procedures:

18 1. The director shall adopt rules that, for services rendered from and
19 after September 30, 1985 until October 1, 1986, define "adjusted billed
20 charges" as that reimbursement level that has the effect of holding constant
21 whichever of the following is applicable:

22 (a) The schedule of rates and charges for a hospital in effect on
23 April 1, 1984 as filed pursuant to chapter 4, article 3 of this title.

24 (b) The schedule of rates and charges for a hospital that became
25 effective after May 31, 1984 but before July 2, 1984, if the hospital's
26 previous rate schedule became effective before April 30, 1983.

27 (c) The schedule of rates and charges for a hospital that became
28 effective after May 31, 1984 but before July 2, 1984, limited to five per
29 cent over the hospital's previous rate schedule, and if the hospital's
30 previous rate schedule became effective on or after April 30, 1983 but before
31 October 1, 1983. For the purposes of this paragraph "constant" means equal
32 to or lower than.

33 2. The director shall adopt rules that, for services rendered from and
34 after September 30, 1986, define "adjusted billed charges" as that
35 reimbursement level that has the effect of increasing by four per cent a
36 hospital's reimbursement level in effect on October 1, 1985 as prescribed in
37 paragraph 1 of this subsection. Beginning January 1, 1991, the Arizona
38 health care cost containment system administration shall define "adjusted
39 billed charges" as the reimbursement level determined pursuant to this
40 section, increased by two and one-half per cent.

41 3. In no event shall a hospital's adjusted billed charges exceed the
42 hospital's schedule of rates and charges filed with the department of health
43 services and in effect pursuant to chapter 4, article 3 of this title.

44 4. For services rendered the administration shall not pay a hospital's
45 adjusted billed charges in excess of the following:

1 (a) If the hospital's bill is paid within thirty days of the date the
2 bill was received, eighty-five per cent of the adjusted billed charges.

3 (b) If the hospital's bill is paid any time after thirty days but
4 within sixty days of the date the bill was received, ninety-five per cent of
5 the adjusted billed charges.

6 (c) If the hospital's bill is paid any time after sixty days of the
7 date the bill was received, one hundred per cent of the adjusted billed
8 charges.

9 5. The director shall define by rule the method of determining when
10 a hospital bill will be considered received and when a hospital's billed
11 charges will be considered paid. Payment received by a hospital from the
12 administration pursuant to this subsection or from a contractor either by
13 contract or pursuant to section 36-2904, subsection I shall be considered
14 payment of the hospital bill in full, except that a hospital may collect any
15 unpaid portion of its bill from other third party payors or in situations
16 covered by title 33, chapter 7, article 3.

17 H. For inpatient hospital admissions and outpatient hospital services
18 on and after March 1, 1993 the administration shall adopt rules for the
19 reimbursement of hospitals according to the following procedures:

20 1. For inpatient hospital stays, the administration shall use a
21 prospective tiered per diem methodology, using hospital peer groups if
22 analysis shows that cost differences can be attributed to independently
23 definable features that hospitals within a peer group share. In peer
24 grouping the administration may consider such factors as length of stay
25 differences and labor market variations. If there are no cost differences,
26 the administration shall implement a stop loss-stop gain or similar
27 mechanism. Any stop loss-stop gain or similar mechanism shall ensure that
28 the tiered per diem rates assigned to a hospital do not represent less than
29 ninety per cent of its 1990 base year costs or more than one hundred ten per
30 cent of its 1990 base year costs, adjusted by an audit factor, during the
31 period of March 1, 1993 through September 30, 1994. The tiered per diem
32 rates set for hospitals shall represent no less than eighty-seven and
33 one-half per cent or more than one hundred twelve and one-half per cent of
34 its 1990 base year costs, adjusted by an audit factor, from October 1, 1994
35 through September 30, 1995 and no less than eighty-five per cent or more than
36 one hundred fifteen per cent of its 1990 base year costs, adjusted by an
37 audit factor, from October 1, 1995 through September 30, 1996. For the
38 periods after September 30, 1996 no stop loss-stop gain or similar mechanisms
39 shall be in effect. An adjustment in the stop loss-stop gain percentage may
40 be made to ensure that total payments do not increase as a result of this
41 provision. If peer groups are used the administration shall establish
42 initial peer group designations for each hospital before implementation of
43 the per diem system. The administration may also use a negotiated rate
44 methodology. The tiered per diem methodology may include separate
45 consideration for specialty hospitals that limit their provision of services

1 to specific patient populations, such as rehabilitative patients or children.
2 The initial per diem rates shall be based on hospital claims and encounter
3 data for dates of service November 1, 1990 through October 31, 1991 and
4 processed through May of 1992.

5 2. For rates effective on October 1, 1994, and annually thereafter,
6 the administration shall adjust tiered per diem payments for inpatient
7 hospital care by the data resources incorporated market basket index for
8 prospective payment system hospitals. For rates effective beginning on
9 October 1, 1999, the administration shall adjust payments to reflect changes
10 in length of stay for the maternity and nursery tiers.

11 3. THROUGH JUNE 30, 2004, for outpatient hospital services, the
12 administration shall reimburse a hospital by applying a hospital specific
13 outpatient cost-to-charge ratio to the covered charges. BEGINNING ON JULY
14 1, 2004 THROUGH JUNE 30, 2005, THE ADMINISTRATION SHALL REIMBURSE A HOSPITAL
15 BY APPLYING A HOSPITAL-SPECIFIC OUTPATIENT COST-TO-CHARGE RATIO TO COVERED
16 CHARGES. IF THE HOSPITAL INCREASES ITS CHARGES FOR OUTPATIENT SERVICES FILED
17 WITH THE ARIZONA DEPARTMENT OF HEALTH SERVICES PURSUANT TO CHAPTER 4, ARTICLE
18 3. OF THIS TITLE, BY MORE THAN 4.7 PER CENT FOR DATES OF SERVICE EFFECTIVE ON
19 OR AFTER JULY 1, 2004, THE HOSPITAL-SPECIFIC COST-TO-CHARGE RATIO WILL BE
20 REDUCED BY THE AMOUNT THAT IT EXCEEDS 4.7 PER CENT. IF CHARGES EXCEED 4.7
21 PER CENT, THE EFFECTIVE DATE OF THE INCREASED CHARGES WILL BE THE EFFECTIVE
22 DATE OF THE ADJUSTED ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
23 COST-TO-CHARGE RATIO. THE ADMINISTRATION SHALL DEVELOP THE METHODOLOGY FOR
24 A CAPPED FEE-FOR-SERVICE SCHEDULE AND A STATEWIDE COST-TO-CHARGE RATIO. ANY
25 COVERED OUTPATIENT SERVICE NOT INCLUDED IN THE CAPPED FEE-FOR-SERVICE
26 SCHEDULE SHALL BE REIMBURSED BY APPLYING THE STATEWIDE COST-TO-CHARGE RATIO
27 THAT IS BASED ON THE SERVICES NOT INCLUDED IN THE CAPPED FEE-FOR-SERVICE
28 SCHEDULE. BEGINNING ON JULY 1, 2005, THE ADMINISTRATION SHALL REIMBURSE
29 CLEAN CLAIMS WITH DATES OF SERVICE ON OR AFTER JULY 1, 2005, BASED ON THE
30 CAPPED FEE-FOR-SERVICE SCHEDULE OR THE STATEWIDE COST-TO-CHARGE RATIO
31 ESTABLISHED PURSUANT TO THIS PARAGRAPH. THE ADMINISTRATION MAY MAKE
32 ADDITIONAL ADJUSTMENTS TO THE OUTPATIENT HOSPITAL RATES ESTABLISHED PURSUANT
33 TO THIS SECTION BASED ON OTHER FACTORS, INCLUDING THE NUMBER OF BEDS IN THE
34 HOSPITAL, SPECIALTY SERVICES AVAILABLE TO PATIENTS AND THE GEOGRAPHIC
35 LOCATION OF THE HOSPITAL.

36 4. Except if submitted under an electronic claims submission system,
37 a hospital bill is considered received for purposes of this paragraph on
38 initial receipt of the legible, error-free claim form by the administration
39 if the claim includes the following error-free documentation in legible form:

- 40 (a) An admission face sheet.
- 41 (b) An itemized statement.
- 42 (c) An admission history and physical.
- 43 (d) A discharge summary or an interim summary if the claim is split.
- 44 (e) An emergency record, if admission was through the emergency room.
- 45 (f) Operative reports, if applicable.

1 (g) A labor and delivery room report, if applicable.
2 Payment received by a hospital from the administration pursuant to this
3 subsection or from a contractor either by contract or pursuant to section
4 36-2904, subsection J is considered payment by the administration or the
5 contractor of the administration's or contractor's liability for the hospital
6 bill. A hospital may collect any unpaid portion of its bill from other third
7 party payors or in situations covered by title 33, chapter 7, article 3.

8 5. For services rendered on and after October 1, 1997, the
9 administration shall pay a hospital's rate established according to this
10 section subject to the following:

11 (a) If the hospital's bill is paid within thirty days of the date the
12 bill was received, the administration shall pay ninety-nine per cent of the
13 rate.

14 (b) If the hospital's bill is paid after thirty days but within sixty
15 days of the date the bill was received, the administration shall pay one
16 hundred per cent of the rate.

17 (c) If the hospital's bill is paid any time after sixty days of the
18 date the bill was received, the administration shall pay one hundred per cent
19 of the rate plus a fee of one per cent per month for each month or portion
20 of a month following the sixtieth day of receipt of the bill until the date
21 of payment.

22 6. In developing the reimbursement methodology, if a review of the
23 reports filed by a hospital pursuant to section 36-125.04 indicates that
24 further investigation is considered necessary to verify the accuracy of the
25 information in the reports, the administration may examine the hospital's
26 records and accounts related to the reporting requirements of section
27 36-125.04. The administration shall bear the cost incurred in connection
28 with this examination unless the administration finds that the records
29 examined are significantly deficient or incorrect, in which case the
30 administration may charge the cost of the investigation to the hospital
31 examined.

32 7. Except for privileged medical information, the administration shall
33 make available for public inspection the cost and charge data and the
34 calculations used by the administration to determine payments under the
35 tiered per diem system, provided that individual hospitals are not identified
36 by name. The administration shall make the data and calculations available
37 for public inspection during regular business hours and shall provide copies
38 of the data and calculations to individuals requesting such copies within
39 thirty days of receipt of a written request. The administration may charge
40 a reasonable fee for the provision of the data or information.

41 8. The prospective tiered per diem payment methodology for inpatient
42 hospital services shall include a mechanism for the prospective payment of
43 inpatient hospital capital related costs. The capital payment shall include
44 hospital specific and statewide average amounts. For tiered per diem rates
45 beginning on October 1, 1999, the capital related cost component is frozen

1 at the blended rate of forty per cent of the hospital specific capital cost
2 and sixty per cent of the statewide average capital cost in effect as of
3 January 1, 1999 and as further adjusted by the calculation of tier rates for
4 maternity and nursery as prescribed by law. The administration shall adjust
5 the capital related cost component by the data resources incorporated market
6 basket index for prospective payment system hospitals.

7 9. Beginning September 30, 1997, the administration shall establish
8 a separate graduate medical education program to reimburse hospitals that had
9 graduate medical education programs that were approved by the administration
10 as of October 1, 1999. The administration shall separately account for
11 monies for the graduate medical education program based on the total
12 reimbursement for graduate medical education reimbursed to hospitals by the
13 system in federal fiscal year 1995-1996 pursuant to the tiered per diem
14 methodology specified in this section. The graduate medical education
15 program reimbursement shall be adjusted annually by the increase or decrease
16 in the index published by the data resources incorporated hospital market
17 basket index for prospective hospital reimbursement. Subject to legislative
18 appropriation, on an annual basis, each qualified hospital shall receive a
19 single payment from the graduate medical education program that is equal to
20 the same percentage of graduate medical education reimbursement that was paid
21 by the system in federal fiscal year 1995-1996. Any reimbursement for
22 graduate medical education made by the administration shall not be subject
23 to future settlements or appeals by the hospitals to the administration.

24 10. The prospective tiered per diem payment methodology for inpatient
25 hospital services may include a mechanism for the payment of claims with
26 extraordinary operating costs per day. For tiered per diem rates effective
27 beginning on October 1, 1999, outlier cost thresholds are frozen at the
28 levels in effect on January 1, 1999 and adjusted annually by the
29 administration by the data resources incorporated market basket index for
30 prospective payment system hospitals.

31 11. Notwithstanding section 41-1005, subsection A, paragraph 9, the
32 administration shall adopt rules pursuant to title 41, chapter 6 establishing
33 the methodology for determining the prospective tiered per diem payments.

34 I. The director may adopt rules that specify enrollment procedures
35 including notice to contractors of enrollment. The rules may provide for
36 varying time limits for enrollment in different situations. The
37 administration shall specify in contract when a person who has been
38 determined eligible will be enrolled with that contractor and the date on
39 which the contractor will be financially responsible for health and medical
40 services to the person.

41 J. The administration may make direct payments to hospitals for
42 hospitalization and medical care provided to a member in accordance with this
43 article and rules. The director may adopt rules to establish the procedures
44 by which the administration shall pay hospitals pursuant to this subsection
45 if a contractor fails to make timely payment to a hospital. Such payment

1 shall be at a level determined pursuant to section 36-2904, subsection I or
2 J. The director may withhold payment due to a contractor in the amount of
3 any payment made directly to a hospital by the administration on behalf of
4 a contractor pursuant to this subsection.

5 K. The director shall establish a special unit within the
6 administration for the purpose of monitoring the third party payment
7 collections required by contractors and noncontracting providers pursuant to
8 section 36-2903, subsection B, paragraph 10 and subsection F and section
9 36-2915, subsection E. The director shall determine by rule:

10 1. The type of third party payments to be monitored pursuant to this
11 subsection.

12 2. The percentage of third party payments that is collected by a
13 contractor or noncontracting provider and that the contractor or
14 noncontracting provider may keep and the percentage of such payments that the
15 contractor or noncontracting provider may be required to pay to the
16 administration. Contractors and noncontracting providers must pay to the
17 administration one hundred per cent of all third party payments that are
18 collected and that duplicate administration fee-for-service payments. A
19 contractor that contracts with the administration pursuant to section
20 36-2904, subsection A may be entitled to retain a percentage of third party
21 payments if the payments collected and retained by a contractor are reflected
22 in reduced capitation rates. A contractor may be required to pay the
23 administration a percentage of third party payments that are collected by a
24 contractor and that are not reflected in reduced capitation rates.

25 L. On oral or written notice from the patient that the patient
26 believes the claims to be covered by the system, a contractor or
27 noncontracting provider of health and medical services prescribed in section
28 36-2907 shall not do either of the following unless the contractor or
29 noncontracting provider has verified through the administration that the
30 person has been determined ineligible, has not yet been determined eligible
31 or was not, at the time services were rendered, eligible or enrolled:

32 1. Charge, submit a claim to or demand or otherwise collect payment
33 from a member or person who has been determined eligible unless specifically
34 authorized by this article or rules adopted pursuant to this article.

35 2. Refer or report a member or person who has been determined eligible
36 to a collection agency or credit reporting agency for the failure of the
37 member or person who has been determined eligible to pay charges for system
38 covered care or services unless specifically authorized by this article or
39 rules adopted pursuant to this article.

40 M. The administration may conduct postpayment review of all claims
41 paid by the administration and may recoup any monies erroneously paid. The
42 director may adopt rules that specify procedures for conducting postpayment
43 review. A contractor may conduct a postpayment review of all claims paid by
44 the contractor and may recoup monies that are erroneously paid.

1 N. The director or the director's designee may employ and supervise
2 personnel necessary to assist the director in performing the functions of the
3 administration.

4 O. The administration may contract with contractors for obstetrical
5 care who are eligible to provide services under title XIX of the social
6 security act.

7 P. Notwithstanding any law to the contrary, on federal approval the
8 administration may make disproportionate share payments to private hospitals,
9 county operated hospitals, including hospitals owned or leased by a special
10 health care district, and state operated institutions for mental disease
11 beginning October 1, 1991 in accordance with federal law and subject to
12 legislative appropriation. If at any time the administration receives
13 written notification from federal authorities of any change or difference in
14 the actual or estimated amount of federal funds available for
15 disproportionate share payments from the amount reflected in the legislative
16 appropriation for such purposes, the administration shall provide written
17 notification of such change or difference to the president and the minority
18 leader of the senate, the speaker and the minority leader of the house of
19 representatives, the director of the joint legislative budget committee, the
20 legislative committee of reference and any hospital trade association within
21 this state, within three working days not including weekends after receipt
22 of the notice of the change or difference. In calculating disproportionate
23 share payments as prescribed in this section, the administration may use
24 either a methodology based on claims and encounter data that is submitted to
25 the administration from contractors or a methodology based on data that is
26 reported to the administration by private hospitals and state operated
27 institutions for mental disease. The selected methodology applies to all
28 private hospitals and state operated institutions for mental disease
29 qualifying for disproportionate share payments.

30 Q. Notwithstanding any law to the contrary, the administration may
31 receive confidential adoption information to determine whether an adopted
32 child should be terminated from the system.

33 R. The adoption agency or the adoption attorney shall notify the
34 administration within thirty days after an eligible person receiving services
35 has placed that person's child for adoption.

36 S. If the administration implements an electronic claims submission
37 system it may adopt procedures pursuant to subsection H of this section
38 requiring documentation different than prescribed under subsection H,
39 paragraph 4 of this section.

40 Sec. 4. Repeal

41 Section 41-3004.13, Arizona Revised Statutes, is repealed.

1 Sec. 5. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
2 amended by adding section 41-3006.27, to read:

3 41-3006.27. Nursing care institution administrators and
4 assisted living facility managers board;
5 termination July 1, 2005

6 A. THE BOARD OF EXAMINERS OF NURSING CARE INSTITUTION ADMINISTRATORS
7 AND ASSISTED LIVING FACILITY MANAGERS TERMINATES ON JULY 1, 2005.

8 B. TITLE 36, CHAPTER 4, ARTICLE 6 IS REPEALED ON JANUARY 1, 2006.

9 Sec. 6. Laws 2003, chapter 265, section 49 is amended to read:

10 Sec. 49. Competency restoration treatment; city and county
11 reimbursement; fiscal years 2003-2004 and 2004-2005;
12 deposit; tax withholding

13 A. Notwithstanding section 13-4512, Arizona Revised Statutes, FOR ALL
14 CITIES REGARDLESS OF POPULATION SIZE AND for counties with populations of
15 less than one million five hundred thousand persons according to the most
16 recent ~~United States decennial census~~, if the state pays the costs of a
17 defendant's inpatient competency restoration treatment pursuant to section
18 13-4512, Arizona Revised Statutes, the CITY OR county shall reimburse the
19 department of health services for eighty-six per cent of these costs for
20 fiscal year 2003-2004 and fiscal year 2004-2005. The department shall
21 deposit the monies, pursuant to sections 35-146 and 35-147, Arizona Revised
22 Statutes, in the Arizona state hospital fund established by section
23 36-545.08, Arizona Revised Statutes.

24 B. Notwithstanding section 13-4512, Arizona Revised Statutes, for
25 counties with populations of one million five hundred thousand or more
26 persons ~~according to the most recent United States decennial census~~, if the
27 state pays the costs of a defendant's inpatient competency restoration
28 treatment pursuant to section 13-4512, Arizona Revised Statutes, the county
29 shall reimburse the department of health services for one hundred per cent
30 of these costs for fiscal year 2003-2004 and fiscal year 2004-2005. The
31 department shall deposit the monies, pursuant to sections 35-146 and 35-147,
32 Arizona Revised Statutes, in the Arizona state hospital fund established by
33 section 36-545.08, Arizona Revised Statutes.

34 C. Each CITY AND county shall make the reimbursements for these costs
35 as specified in subsections A and B of this section within thirty days after
36 a request by the department. If the CITY OR county does not make the
37 reimbursement, the superintendent of the Arizona state hospital shall notify
38 the state treasurer of the amount owed and the treasurer shall withhold the
39 amount, including any additional interest as provided in section 42-1123,
40 Arizona Revised Statutes, from any transaction privilege tax distributions
41 to the CITY OR county. The treasurer shall deposit the withholdings,
42 pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, in the
43 Arizona state hospital fund established by section 36-545.08, Arizona Revised
44 Statutes.

1 Sec. 7. County acute care contribution; fiscal year 2004-2005

2 A. Notwithstanding section 11-292, Arizona Revised Statutes, for
3 fiscal year 2004-2005 for the provision of hospitalization and medical care,
4 the counties shall contribute a total of \$66,689,500 based on the following
5 percentages:

| | | |
|----|----------------|---------|
| 6 | 1. Apache | 0.403% |
| 7 | 2. Cochise | 3.321% |
| 8 | 3. Coconino | 1.114% |
| 9 | 4. Gila | 2.119% |
| 10 | 5. Graham | 0.804% |
| 11 | 6. Greenlee | 0.286% |
| 12 | 7. La Paz | 0.318% |
| 13 | 8. Maricopa | 57.969% |
| 14 | 9. Mohave | 1.856% |
| 15 | 10. Navajo | 0.466% |
| 16 | 11. Pima | 22.420% |
| 17 | 12. Pinal | 4.072% |
| 18 | 13. Santa Cruz | 0.724% |
| 19 | 14. Yavapai | 2.141% |
| 20 | 15. Yuma | 1.987% |

21 B. If a county does not provide funding as specified in subsection A
22 of this section, the state treasurer shall subtract the amount owed by the
23 county to the Arizona health care cost containment system and long-term care
24 system funds established by section 36-2913, Arizona Revised Statutes, from
25 any payments required to be made by the state treasurer to that county
26 pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised
27 Statutes, plus interest on that amount pursuant to section 44-1201, Arizona
28 Revised Statutes, retroactive to the first day the funding was due. If the
29 monies the state treasurer withholds are insufficient to meet that county's
30 funding requirements as specified in subsection A of this section, the state
31 treasurer shall withhold from any other monies payable to that county from
32 whatever state funding source is available an amount necessary to fulfill
33 that county's requirement. The state treasurer shall not withhold
34 distributions from the highway user revenue fund pursuant to title 28,
35 chapter 18, article 2, Arizona Revised Statutes.

36 C. Payment of an amount equal to one-twelfth of the total amount
37 determined pursuant to subsection A of this section shall be made to the
38 state treasurer on or before the fifth day of each month. On request from
39 the director of the Arizona health care cost containment system
40 administration, the state treasurer shall require that up to three months'
41 payments be made in advance, if necessary.

42 D. The state treasurer shall deposit the amounts paid pursuant to
43 subsection C of this section and amounts withheld pursuant to subsection B
44 of this section in the Arizona health care cost containment system and

1 long-term care system funds established by section 36-2913, Arizona Revised
2 Statutes.

3 E. If payments made pursuant to subsection C of this section exceed
4 the amount required to meet the costs incurred by the Arizona health care
5 cost containment system for the hospitalization and medical care of those
6 persons defined as an eligible person pursuant to section 36-2901, paragraph
7 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of
8 the Arizona health care cost containment system administration may instruct
9 the state treasurer either to reduce remaining payments to be paid pursuant
10 to this section by a specified amount or to provide to the counties specified
11 amounts from the Arizona health care cost containment system and long-term
12 care system funds.

13 Sec. 8. County uncompensated care contribution

14 A. Notwithstanding any other law, for fiscal year 2004-2005, beginning
15 with the second monthly distribution of transaction privilege tax revenues,
16 the state treasurer shall withhold the following amounts from state
17 transaction privilege revenues otherwise distributable, after any amounts
18 withheld for the county long-term care contribution or the county
19 administration contribution pursuant to section 11-292, subsection P, Arizona
20 Revised Statutes, for deposit in the Arizona health care cost containment
21 system fund established by section 36-2913, Arizona Revised Statutes, for the
22 provision of hospitalization and medical care:

| | | |
|----|----------------|-------------|
| 23 | 1. Apache | \$87,300 |
| 24 | 2. Cochise | \$162,700 |
| 25 | 3. Coconino | \$160,500 |
| 26 | 4. Gila | \$65,900 |
| 27 | 5. Graham | \$46,800 |
| 28 | 6. Greenlee | \$12,000 |
| 29 | 7. La Paz | \$24,900 |
| 30 | 8. Maricopa | \$3,853,800 |
| 31 | 9. Mohave | \$187,400 |
| 32 | 10. Navajo | \$122,800 |
| 33 | 11. Pima | \$1,115,900 |
| 34 | 12. Pinal | \$218,300 |
| 35 | 13. Santa Cruz | \$51,600 |
| 36 | 14. Yavapai | \$206,200 |
| 37 | 15. Yuma | \$183,900 |

38 B. If a county does not provide funding as specified in subsection A
39 of this section, the state treasurer shall subtract the amount owed by the
40 county to the Arizona health care cost containment system fund from any
41 payments required to be made by the state treasurer to that county pursuant
42 to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus
43 interest on that amount pursuant to section 44-1201, Arizona Revised
44 Statutes, retroactive to the first day the funding was due. If the monies
45 the state treasurer withholds are insufficient to meet that county's funding

1 requirement as specified in subsection A of this section, the state treasurer
2 shall withhold from any other monies payable to that county from whatever
3 state funding source is available an amount necessary to fulfill that
4 county's requirement. The state treasurer shall not withhold distributions
5 from the highway user revenue fund pursuant to title 28, chapter 18, article
6 2, Arizona Revised Statutes.

7 C. Payment of an amount equal to one-twelfth of the total monies
8 prescribed pursuant to subsection A of this section shall be made to the
9 state treasurer on or before the fifth day of each month. On request from
10 the director of the Arizona health care cost containment system
11 administration, the state treasurer shall require that up to three months'
12 payments be made in advance, if necessary.

13 D. The state treasurer shall deposit the monies paid pursuant to
14 subsection C of this section in the Arizona health care cost containment
15 system fund established by section 36-2913, Arizona Revised Statutes.

16 E. In fiscal year 2004-2005, the sum of \$6,500,000 withheld pursuant
17 to subsections A or B of this section, as applicable, is allocated for the
18 county acute care contribution for the provision of hospitalization and
19 medical care services administered by the Arizona health care cost
20 containment system administration.

21 Sec. 9. Withholding state shared revenues; fiscal year
22 2004-2005

23 A. Based on the distribution of disproportionate share funding to
24 county operated hospitals made pursuant to section 36-2903.01, subsection P,
25 Arizona Revised Statutes, for fiscal year 2004-2005, the staff director of
26 the joint legislative budget committee shall compute amounts to be withheld
27 from transaction privilege tax revenues for counties with a population of at
28 least one million five hundred thousand persons pursuant to subsection B of
29 this section.

30 B. Notwithstanding section 42-5029, subsection D, paragraph 2, Arizona
31 Revised Statutes, beginning with the first monthly distribution of
32 transaction privilege tax revenues and at the direction of the governor, the
33 state treasurer shall withhold an amount totaling \$82,972,500 from state
34 transaction privilege tax revenues otherwise distributable, after any amounts
35 withheld for the county long-term care contribution for fiscal year 2004-2005
36 from counties with a population of at least one million five hundred thousand
37 persons. Amounts withheld from individual counties under this subsection
38 shall be determined pursuant to subsection A of this section.

39 C. In addition to the amount specified in subsection B of this
40 section, the state treasurer may also withhold transaction privilege tax
41 revenues in fiscal year 2005-2006 if amounts withheld pursuant to subsection
42 B of this section for fiscal year 2004-2005 are insufficient.

43 D. If changes in federal policies regarding the disproportionate share
44 funding to county operated hospitals reduces payment levels below the amount
45 specified in the fiscal year 2004-2005 general appropriations act, the

1 governor, after consultation with chairpersons of the house and senate
2 appropriations committees, may direct the state treasurer to suspend
3 withholdings of transaction privilege tax revenues specified in subsection
4 B of this section to accommodate the federal policy change.

5 Sec. 10. County expenditure limitations; disproportionate
6 share; fiscal year 2004-2005 adjustment formula

7 A. As a result of the transfer of funding for disproportionate share
8 health services, as provided in this act, from the counties to the state and
9 federal governments for fiscal year 1991-1992 through fiscal year 2004-2005
10 the economic estimates commission shall decrease the base limit of each
11 county in which the county hospital receives state and federal
12 disproportionate share payments in fiscal year 2004-2005 as follows:

13 1. Divide the amount of the state and federal disproportionate share
14 payments received by the county hospital in fiscal year 2004-2005 by the GDP
15 price deflator, as defined in section 41-563, Arizona Revised Statutes, for
16 the same fiscal year used to calculate expenditure limitations for fiscal
17 year 2004-2005 and multiply the resulting quotient by the GDP price deflator
18 determined for fiscal year 1979-1980.

19 2. Divide the amount determined in paragraph 1 for fiscal year
20 2004-2005 by the population of the county, as defined in article IX, section
21 20, subsection (3), paragraph (f), Constitution of Arizona, for the same
22 fiscal year used to calculate expenditure limitations for fiscal year
23 2004-2005 and multiply the resulting quotient by the population of the county
24 for fiscal year 1979-1980.

25 B. The economic estimates commission shall adjust the county
26 expenditure limitations for fiscal year 2004-2005 based on this section. The
27 calculation shall use the same base limit of \$161,290,737 for Maricopa county
28 for the purpose of determining the adjustment.

29 Sec. 11. County expenditure limitations; disproportionate
30 share; fiscal year 2005-2006

31 As a result of the elimination of the transfer of funding for
32 disproportionate share hospital services from the counties to the state and
33 federal governments beginning with fiscal year 2005-2006, the county
34 expenditure limitations shall be adjusted beginning with fiscal year
35 2005-2006. The economic estimates commission shall increase the base limit
36 of each county by the amount the base limit was decreased for fiscal year
37 2004-2005 pursuant to this act.

38 Sec. 12. ALTCS county costs and federal savings

39 Notwithstanding section 11-292, Arizona Revised Statutes, to replace
40 one-time fiscal year 2003-2004 savings associated with temporary changes to
41 the federal medical assistance percentage, the total county contributions for
42 the Arizona long-term care system shall be set in the general appropriations
43 act for fiscal year 2004-2005.

1 Sec. 13. Children's health insurance program; parents
2 eligibility; fiscal year 2004-2005

3 A. Notwithstanding any other law, for fiscal year 2004-2005, a parent
4 of a child who is eligible for or enrolled in the children's health insurance
5 program or a parent who has a child enrolled under title 36, chapter 29,
6 article 1, Arizona Revised Statutes, but who would be eligible for the
7 children's health insurance program is eligible for the children's health
8 insurance program as defined in title 36, chapter 29, article 4, Arizona
9 Revised Statutes, and may apply for eligibility based on an income that does
10 not exceed two hundred per cent of the federal poverty level.

11 B. In determining eligibility pursuant to subsection A of this
12 section, the administration shall apply other eligibility requirements
13 pursuant to sections 36-2981 and 36-2983, Arizona Revised Statutes, and to
14 rules adopted by the administration. If the parent is determined eligible
15 pursuant to this section, all other requirements established by the
16 administration by rule, including premium payment requirements and available
17 services, in title 36, chapter 29, article 4, Arizona Revised Statutes,
18 apply.

19 Sec. 14. Suicide prevention program; suspension

20 Notwithstanding section 36-3415, Arizona Revised Statutes, the
21 department of health services shall not operate a suicide prevention program
22 in fiscal year 2004-2005 unless new federal funds that do not require state
23 matching funds are received for the operation of the program.

24 Sec. 15. Vaccine appropriations; nonreversion; uses

25 A. Notwithstanding the provisions of Laws 2002, chapter 327, section
26 30, relating to the reversion of the state general fund appropriation for
27 vaccines, the department of health services shall not revert to the state
28 general fund \$576,600 from the fiscal year 2002-2003 state general fund
29 appropriation for the vaccines special line item.

30 B. The department of health services shall use these monies identified
31 in subsection A of this section for vaccines in fiscal year 2004-2005 unless
32 a transfer of monies is approved by the joint legislative budget committee.
33 These monies shall not be used for any other expenses of the department of
34 health services, unless a transfer of monies is approved by the joint
35 legislative budget committee.

36 Sec. 16. Institutional support payments

37 Notwithstanding any other law, persons eligible pursuant to section
38 46-252, Arizona Revised Statutes, shall not receive institutional support
39 payments in fiscal year 2004-2005.

40 Sec. 17. Child care eligibility levels; report

41 Notwithstanding section 46-803, Arizona Revised Statutes, for fiscal
42 year 2004-2005, the department of economic security may reduce maximum income
43 eligibility levels for child care assistance in order to manage within
44 appropriated and available monies. The department shall notify the joint

1 legislative budget committee of any change in maximum income eligibility
2 levels for child care within fifteen days after implementing that change.

3 Sec. 18. Exemption from rule making

4 A. For the purposes of this act, the Arizona health care cost
5 containment system administration is exempt from the rule making requirements
6 of title 41, chapter 6, Arizona Revised Statutes, for one year after the
7 effective date of this act.

8 B. The administration shall hold at least one public hearing in a
9 rural county and in an urban county before adopting rules pursuant to this
10 act.

11 Sec. 19. Centers for medicare and medicaid services approval;
12 delayed implementation date

13 The director of the Arizona health care cost containment system
14 administration must have approval from the centers for medicare and medicaid
15 services before implementing the capped fee schedule provided for in section
16 36-2903.01, subsection H, paragraph 3, Arizona Revised Statutes.
17 Notwithstanding section 36-2903.01, subsection H, paragraph 3, Arizona
18 Revised Statutes, the director may delay the implementation of the new capped
19 fee-for-service schedule and the related statewide cost-to-charge ratio
20 methodology established in section 36-2903.01, subsection H, paragraph 3,
21 Arizona Revised Statutes, for the entire state or for a specific Arizona
22 health care cost containment system contractor. The delay can be on a
23 month-to-month basis for a maximum of six months from the implementation date
24 if the director determines that more time is needed by the administration,
25 the health plans or the program contractors to implement the capped
26 fee-for-service schedule or the cost-to-charge methodology.

27 Sec. 20. Timing and form of filing rate increases

28 Notwithstanding section 36-436.02, Arizona Revised Statutes, for rates
29 effective July 1, 2004 through June 30, 2005, hospitals may only file rate
30 increases for existing outpatient services once a year. The increases shall
31 be on a form approved by both the department of health services and Arizona
32 health care cost containment system administration and shall include a
33 summary sheet, separate outpatient charges from inpatient charges and provide
34 an aggregate weighted average for outpatient charge increases. A copy of
35 such rate increases that are filed with the Arizona department of health
36 services shall be submitted to the Arizona health care cost containment
37 system by the hospital at least sixty days prior to the effective date of the
38 rate increase.

39 Sec. 21. Purpose

40 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
41 the legislature continues the board of examiners of nursing care institution
42 administrators and assisted living facility managers to promote the health
43 and safety of people who use the services of nursing care institutions and
44 assisted living facilities and the efficient administration of those
45 institutions and assisted living facilities.

1 Sec. 22. Performance audit

2 On or before January 1, 2005, the auditor general shall complete a
3 performance audit of the board of examiners of nursing care institution
4 administrators and assisted living facility managers to determine how the
5 board has performed its statutory functions and corrected any deficiencies
6 noted in its most recent sunset review. The performance audit must include
7 a recommendation on whether the board should sunset as scheduled.

8 Sec. 23. AHCCCS; outpatient payments

9 A. Any changes to a hospital's outpatient rate that is effective
10 between July 1, 2004 through June 30, 2005 shall be subject to subsection B.

11 B. On October 1, 2004, the Arizona health care cost containment system
12 shall update the hospital-specific cost-to-charge ratios based on each
13 hospital's medicare cost report data submitted to the fiscal intermediary for
14 fiscal year end 2002, as required by the centers for medicare and medicaid
15 services. If a specific hospital's outpatient cost-to-charge ratio was
16 reduced due to increased charges above the limit specified in section
17 36-2903.01, subsection H, paragraph 3, Arizona Revised Statutes, that same
18 reduction shall be applied to the hospital's updated cost-to-charge ratio
19 determined on October 1, 2004.

20 Sec. 24. Retroactivity

21 A. Sections 5 and 6 of this act, relating to the board of examiners
22 of nursing care institution administrators and assisted living facility
23 manager, are effective retroactively to July 1, 2004.

24 B. Section 36-2903.01, Arizona Revised Statutes, as amended by this
25 act, is effective retroactively to from and after June 30, 2004.

APPROVED BY THE GOVERNOR MAY 28, 2004.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 28, 2004.

Passed the House May 20, 20 04,

by the following vote: 35 Ayes,

25 Nays, 0 Not Voting

Jake Flake
Speaker of the House

Norman L. Moore
Chief Clerk of the House

Passed the Senate May 5, 20 04,

by the following vote: 22 Ayes,

8 Nays, 0 Not Voting

Klu Blumett
President of the Senate

Channing Billington
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR**

This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20____,

at _____ o'clock _____ M.

Governor of Arizona

S.B. 1410

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE**

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

SENATE CONCURS IN HOUSE AMENDMENTS
AND FINAL PASSAGE

Passed the Senate May 24, 2004,

by the following vote: 21 Ayes,

8 Nays, 1 Not Voting

Ken Bennett
President of the Senate
Chapman B. Billington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

24th day of May, 2004,

at 3:49 o'clock P. M.

Winnifer Uparra
Secretary to the Governor

Approved this 28 day of

May, 2004,

at 10³⁰ o'clock A. M.

J. J. Nagle
Governor of Arizona

S.B. 1410

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 28 day of May, 2004,

at 1:47 o'clock P. M.

Janice K. Brewer
Secretary of State